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2009 Aug 27 09:14 AM

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D209230191

UTA NON-SURFACE LEASE
3 Pages

Suzanne Henderson

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NO SURFACE USE OIL AND GAS LEASE

THIS AGREEMENT is made effective as of this 20 day of February, 2008, between 1321 Cooper/Venture Llc, as Lessor, whose address is 1321 Cooper/Venture LLC 8235 Douglas Ave Ste 720 Dallas, TX 75225, and CARRIZO OIL & GAS, INC., as Lessee, whose address is 1000 Louisiana Street, Suite 1500, Houston, Texas 77002.

WITNESSETH:

1. **Grant.** Lessor in consideration of Ten Dollars (\$10.00) and other good and valuable consideration in hand paid, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of exploring for, developing, producing and marketing oil and gas along with all other liquid and gaseous hydrocarbon substances produced in association herewith, on lands owned or claimed by Lessor, from the following described land in Tarrant County, Texas, to-wit:

0.169 gross acre/s, more or less, described as Lot 1A & 2A1 & Pt Closed Alley, Block 2, South Heights Addition to the City of Arlington, Tarrant County, Texas more particularly described in that certain Deed dated 6-5-01, by and between Tragum Corp., as grantor, and 1321 Cooper/Venture, LLC, as grantee, and recorded in Instrument # D207041897, of the Deed Records of Tarrant County, Texas, hereinafter referred to as the "Lease Premises".

This lease also covers and includes all land owned or claimed by Lessor adjacent or contiguous to the land particularly described above, whether the same be in said survey or surveys or in adjacent surveys, although not included within the boundaries of the land particularly described above, including the minerals owned by Lessor located in streets, roads, alleys, easements and rights of way adjacent to Lessor's lands. Notwithstanding anything to the contrary in this lease, other than seismic operations, it is agreed and understood that there shall be no surface operations on any of the lands covered by this Lease.

2. **Term.** This is a paid up lease and subject to the other provisions herein contained, this lease shall be for a term of three (3) years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder.

3. **Royalty.** The royalty share for all oil and gas under this Lease shall be 25%.

Lessor's royalty shall never bear or be chargeable with, either directly or indirectly, any part of the costs or expenses of production, gathering, dehydration, compression, transportation, manufacturing, processing, treating, marketing, or depreciation of any plant or other facility or facilities or equipment for processing or treating of the oil or gas produced from the Lease Premises or any other costs of a similar nature. Gas shall be priced at the point of sale to a third party and not at the well unless an arms length sale to a third party occurs at that point.

Upon written request and reasonable notice by Lessor, Lessee shall make available to Lessor or Lessor's authorized representative for inspection and examination the books and accounts, receipts, well records, and all contracts and other records pertaining to the production, transportation, sale, and marketing of the oil and gas produced on the Lease Premises which relate to or have bearing on, in any manner, the royalty to be received by Lessor hereunder. Any inspection or examination shall be done at Lessee's principal place of business during normal working hours.

Any use of oil or gas produced from gas well operations on or under the Lease Premises shall be included in calculating revenue and payment of royalties from the well production.

~~The agreed acreage for the purpose of computing the Lessor's fractional share of bonus, royalty and other payments shall also include Lessor's proportionate share of any street, alley, highway, railroad, canal, river, body of water adjacent to or contained within the Subdivision or, if property is not included in a Subdivision, any such acreage immediately adjacent to Lessor's property. Lessee shall calculate the proportion of royalties payable to each Lessor under this Lease. Upon written request from Lessor, Lessee will provide Lessor with documentation of the title and other details used to arrive at the royalty interest of Lessor.~~

The terms and provisions of this Provision 3 will survive any release or termination of the Lease. This Provision 3 shall be binding upon and inure to the benefit of the Lessor and his or her respective heirs, successors and assigns, and all terms, provisions and reservations contained in this Lease shall be deemed as covenants running with the land.

4. **Shut-In.** If at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas or other substances covered hereby in paying quantities, but all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred for the purpose of maintaining this Lease. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow line, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to Lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety (90) consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety (90) day period, Lessee shall pay or tender, by check or draft of Lessee, as royalty, a sum equal to Twenty Five Dollars (\$25.00) for each acre of land then covered hereby. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety (90) day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, and may be deposited or paid directly to Lessor or their successors, which shall continue as the depositories, regardless of changes in the ownership of shut-in royalty. If at any time that Lessee pays or tenders shut-in royalty, two or more parties are, or claim to be, entitled to receive same, Lessee may, in lieu of any other method of payment herein provided, pay or tender shut-in royalty, in the manner above specified, either jointly to such parties or separately to each in accordance with their respective ownerships thereof, as lessee may elect. Any payment hereunder may be made by check or draft of Lessee deposited in the mail or delivered to the party entitled to receive payment or to a depository bank provided for above on or before the last date for payment. Nothing herein shall impair Lessee's right to release as provided in paragraph 5 hereof. In the event of assignment of this lease in whole or part, liability for payment hereunder shall rest exclusively on the then owners of this lease, severally as to acreage owned by each.

5. **Pooling.** Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof as to oil and gas, or either of them, with any other land covered by this lease, and/or with any other land, lease or leases in the immediate vicinity thereof to the extent hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate said Lease Premises in compliance with the spacing rules of the Railroad Commission of Texas, or other lawful authority, or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Unless otherwise provided under the terms and provisions contained herein, units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of ten percent (10%) thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, for the drilling or operation of a well at a regular location or for obtaining maximum allowable from any well to be drilled, drilling or already drilled, units thereafter created may conform substantially in size with those prescribed or permitted by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the Lease Premises are situated an instrument describing and designating the pooled acreage as a pooled unit; and upon such recordation the unit shall be effective as to all parties hereto, their heirs, successors and assigns, irrespective of whether or not the unit is likewise effective as to all other owners of surface, mineral, royalty, or other rights in land included in such unit. Lessee may at its election exercise its pooling option before or after commencing operations for or completing an oil or gas well on the Lease Premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. In the event of operations for drilling on or production of oil or gas from any part of a pooled unit which includes all or a portion of the land covered by this lease, regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument designating the pooled unit, such operations shall be considered as operations for drilling on or production of oil or gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease and in such event operations for drilling shall be deemed to have been commenced on said land within the meaning of paragraph 5 of this lease; and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) a pro rata portion of the oil and gas, or either of them,

produced from the pooled unit after deducting that used for operations on the pooled unit. Such allocation shall be on an acreage basis - that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease (or in each such separate tract) and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land. The production from an oil well will be considered as production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. The formation of any unit hereunder shall not have the effect of changing the ownership any shut-in production royalty which may become payable under this lease. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interest as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but Lessee shall nevertheless have the right to pool as provided above with consequent allocation of production as above provided. As used in this paragraph 4, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the Lease Premises.

Notwithstanding the foregoing, Lessor shall never receive less than its royalty share of all proceeds realized by Lessee from the sale or disposition of oil and gas produced and marketed pursuant to this Oil and Gas Lease. And likewise, Lessee shall never be liable to Lessor for any amount of royalties payable hereunder that is greater than the actual amount realized by Lessee from the sale or disposition of such oil and gas produced and marketed under the terms and provisions of this Oil and Gas Lease.

6. Reworking. If at the expiration of the primary term, oil, gas, or other mineral is not being produced on said land, or from the land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a well thereon within 90 days prior to the end of the primary term, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 90 consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil, gas, or other mineral is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 90 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 90 consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas, or other mineral is produced from said land, or from land pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the Lease Premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and closer than 330 feet of and draining the Lease Premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

7. Assignment. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns; but no change or division in ownership of the land, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or part, liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or a portion thereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

8. Option To Extend. ~~Lessee is hereby given the exclusive option to extend the primary term of this lease for an additional two (2) years from the expiration of the original primary term plus any extension of the primary term extended under any lease provision contained herein. This option may be exercised by Lessee at any time during the last year of the original primary term, plus any extension periods, by paying to Lessor herein, or their heirs, successors or assigns, the sum of Ten Thousand Dollars (\$10,000.00) per net mineral acre. Lessee shall exercise such option by placing written notice of such election along with the payment in the U.S. Mail, postage prepaid, to Lessor at the above addresses, or by delivery of such notice and payment to Lessor, in either case, prior to the end of the primary term hereof, or if drilling operations are being conducted on the Lease Premises or upon lands pooled therewith at the expiration of the primary term in such manner as to maintain this lease in force, within thirty (30) days after the completion of the relevant operations. This option shall be deemed to be properly, timely and fully exercised if payment is forwarded by Lessee to Lessor's last known address on or before the expiration of the primary term or any extension thereof, either by (i) U.S. Mail, (ii) Overnight Delivery Service, or (iii) by personal delivery.~~ 18

9. Retained Acreage. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. No obligation to reasonably develop the Lease Premises shall arise during the primary term. Should oil, gas or other mineral in paying quantities be discovered on said premises, then after the expiration of the primary term, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator, but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas or other mineral in paying quantities. If after the expiration of the primary term, Lessor considers that operations are not at anytime being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument.

10. Lessor agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with right to enforce same and apply royalties accruing hereunder toward satisfying same. ~~Lessee agrees to pay for the costs of any lien subordination that Lessee may request from Lessor's lender.~~ Without impairment of Lessee's rights under the warranty in event of failure of title, it is agreed that if this lease covers a less interest in the oil, gas, sulphur, or other minerals in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not), or no interest therein, then the royalties and other monies accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by Lessor) shall be paid out of the royalty herein provided. Should any one or more of the parties named above as Lessor fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same. 18

11. Force Majeure. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing any oil, gas or other minerals therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by operation of force majeure, and Federal or state law or any order, rule or regulation, including zoning or permitting rules of any governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the Lease Premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding. Anything in this lease to the contrary notwithstanding, lessee may not transport third party gas on and across the Lease Premises.

12. Co-Operative. Notwithstanding anything to the contrary in this lease, Lessee is hereby granted the right, at its option, either before or after production is established, to place any land covered by this lease in a co-operative with other land, lease or leases for the exploration and development of all lands included in such co-operative, on such terms and conditions as Lessee may consider prudent. Any such co-operative formed by Lessee shall consist of such amount of acreage, configuration and number of wells, as Lessee shall determine at the exercise of Lessee's reasonable judgment, including Lessee's modification rearrangement, enlargement, and reduction of such co-operative. If all or a portion of lands covered by this Lease, is included in a co-operative, then royalty shall be paid on a surface acreage basis, that is on the basis that the number of acres covered by this lease that is included in the co-operative bears to the total number of acres in the co-operative.

13. In the event of any conflict with the above provisions, the provisions of paragraphs 13 through 24 shall control.

14. Notwithstanding any other provision hereof, this lease covers only oil, gas, sulphur and other liquid and gaseous hydrocarbons produced through a borehole.

15. Vertical Pugh Clause. If at any time the maximum time for the commencement of drilling or reworking operations of a well expires without the commencement of the well, or upon the expiration of the Primary Term if the Lease is not maintained by continuous drilling or any other provision contained herein, this Lease will terminate as to all depths 100 feet below the stratigraphic equivalent of the base of the deepest producing formation.

16. Other than provided in the Texas Natural Resources Code, Lessee may not require execution of a division order as a condition of royalties, and no division order signed by Lessor will be construed to modify the terms of this Lease.

17. Continuous Development. This lease shall terminate at the end of the primary term except as to lands included within a pooled unit, or if such lands are not pooled, as to 40 acres for each oil well and 640 acres for each gas well (or such larger amounts as may be prescribed or permitted for oil well and gas well spacing under the field rules set by the Railroad Commission of Texas) drilled, then being drilled or reworked or then producing in paying quantities. As to each well then drilled, being drilled or reworked, this lease, as to the stated acreage with respect thereto, shall continue so long as the drilling or reworking operations are continued with no cessation of more than 90 consecutive days. As to tracts upon which the drilling or reworking operations result in production, and as to tracts producing at and after the end of the primary term, this Lease shall continue as to each tract so long as production continues from the tract with no cessation of more than 90 consecutive days or this lease is otherwise held by other provisions contained herein. Each tract retained under the provisions of this paragraph shall be compact and oriented in a manner consistent with the preferred orientation of a horizontal Barnett shale well or other relevant formation, considering the shape of the

relevant lands.

18. Lessor makes no warranty, either express or implied, of any kind with respect to, and has no obligation to defend, title to the Land.

19. In the event that Lessor is required to employ legal counsel for the reasonable enforcement of any provision of this Lease and prevails, Lessor will be entitled to recover from Lessee reasonable attorney's fees and expenses incurred by Lessor

20. Operations on or production from a pooled unit will maintain this lease in force only as to the land within the pooled unit. As to land outside a pooled unit, this lease may be maintained in force only by operations on or production from the excluded acreage or, by any other provision contained herein. Upon Lessor's written request, Lessee shall forward to Lessor at the above address a copy of the recorded designation or dissolution of pooled unit.

21. Seismic Operations. Lessee shall pay for all damages incurred to the Land which result from its seismic operations. Other than seismic operations as provided herein, by execution and delivery of this Lease, Lessee does not otherwise obtain the right to conduct exploration, excavation or drilling operations upon the surface of any portion of the Land.

22. Lessee agrees that all of Lessee's operations on the land will be subject to and will be conducted in compliance with all Federal, State, County, City and other laws, rules, ordinances, regulations and requirements. Lessee will assume all costs of insuring that its operations comply with all applicable laws.

23. Indemnity. OTHER THAN LESSOR'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR, AND LESSOR'S REPRESENTATIVES, SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE FOR INJURY TO OR DEATH OF PERSONS AND LOSS OR DAMAGE TO PROPERTY, INCLUDING, WITHOUT LIMITATION, ATTORNEY'S FEES, EXPERT FEES, AND COURT COSTS, CAUSED BY LESSEE'S OPERATIONS ON THE LAND OR LESSEE'S MARKETING OR PRODUCTION FROM THE LAND OR ANY VIOLATION OF ANY ENVIRONMENTAL REQUIREMENTS BY LESSEE. AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" INCLUDES LESSEE, ITS SUCCESSORS AND ASSIGNS, AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, AND ANY OTHER PERSON ACTING UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS.

24. All sums due Lessor under this lease are payable in Tarrant County, Texas.

IN WITNESS WHEREOF, this Lease is executed to be effective as of the date first above written.

LESSOR: 2412 LESSOR: _____

Printed Name: 1321 Cooper/Venture Llc

Printed Name: _____

STATE OF TEXAS §

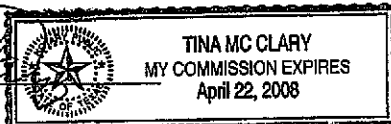
COUNTY OF ~~TARRANT~~ §

DALLAS

Before me, the undersigned authority, on this day personally appeared MICHAEL GEBLER, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same for the purpose and consideration therein expressed and in the capacity therein stated.

Given my hand and seal of office this 20th day of February, 2008.

Tina Mc Clary
Notary Public, State of Texas
My commission expires 4/22/2008



STATE OF TEXAS §

COUNTY OF TARRANT §

Before me, the undersigned authority, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same for the purpose and consideration therein expressed and in the capacity therein stated.

Given my hand and seal of office this ____ day of _____, 2008.

Notary Public, State of Texas
My commission expires: _____